

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Drummond Island Township	County Chippewa
Fiscal Year End March 31, 2007	Opinion Date July 17, 2007	Date Audit Report Submitted to State August 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

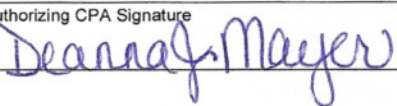
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State Mi
		Zip 49788	
Authorizing CPA Signature 		Printed Name Deanna J. Mayer	License Number 1101028546

DRUMMOND ISLAND TOWNSHIP, MICHIGAN

BASIC FINANCIAL STATEMENTS

March 31, 2007

DRUMMOND ISLAND TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

FRANK SASSO

TOWNSHIP TREASURER

GEORGIANNA POTTER

TOWNSHIP CLERK

KATHERINE COULTER

TOWNSHIP TRUSTEE

EARL BAILEY

TOWNSHIP TRUSTEE

BLAINE TISCHER

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Trustees
Drummond Island Township
Drummond Island, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Drummond Island Township, Michigan as of and for the year ended March 31, 2007, which collectively comprises the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Drummond Island Township, Michigan as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

July 17, 2007

Basic Financial Statements

Drummond Island Township

Statement of Net Assets March 31, 2007

	Governmental Activities
ASSETS:	
Current Assets:	
Cash & Equivalents	\$ 574,000
Taxes Receivable	402,065
Accounts Receivable	<u>1,404</u>
 TOTAL CURRENT ASSETS	 <u>977,469</u>
 Non-current Assets:	
Capital Assets - net of accumulated depreciation	<u>502,397</u>
 TOTAL ASSETS	 <u>\$ 1,479,866</u>
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 133
Other Liabilities	<u>1,774</u>
 TOTAL CURRENT LIABILITIES	 <u>1,907</u>
 NET ASSETS:	
Invested in Capital Assets	502,397
Unrestricted	<u>975,562</u>
 TOTAL NET ASSETS	 <u>\$ 1,477,959</u>

Drummond Island Township

Statement of Activities For the Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Legislative	\$ 3,904	\$ -	\$ -	\$ -	\$ (3,904)
General Government	150,021	32,148	-	-	(117,873)
Public Safety	46,138	250	35,884	5,000	(5,004)
Public Works	129,141	11,039	4,362	37,050	(76,690)
Health & Welfare	50,102	48,555	425	-	(1,122)
Recreation & Culture	146,565	83,076	-	-	(63,489)
Other Expenses	51,782	-	-	-	(51,782)
Interest Expense - Unallocated	291	-	-	-	(291)
Depreciation - Unallocated	5,280	-	-	-	(5,280)
Total Governmental Activities	<u>\$ 583,224</u>	<u>\$ 175,068</u>	<u>\$ 40,671</u>	<u>\$ 42,050</u>	(325,435)
General Revenues:					
Taxes					423,681
State Revenue Sharing					67,686
Other					54,203
Investment Earnings (Loss)					<u>19,175</u>
Total General Revenues					<u>564,745</u>
Changes in Net Assets					239,310
Net Assets - Beginning					752,569
Prior Period Adjustment					<u>486,080</u>
Net Assets - Ending					<u>\$ 1,477,959</u>

Drummond Island Township

Balance Sheet Governmental Funds March 31, 2007

	General	Road Improvement	Airport Improvement	Non-major Governmental	Total Governmental Funds
ASSETS:					
Cash & Equivalents	\$ 111,214	\$ 413,145	\$ 18,976	\$ 30,665	\$ 574,000
Due from Other Funds	546	-	-	842	1,388
Accounts Receivable	1,404	-	-	-	1,404
Taxes Receivable	221,751	158,636	-	21,678	402,065
TOTAL ASSETS	\$ 334,915	\$ 571,781	\$ 18,976	\$ 53,185	\$ 978,857
LIABILITIES:					
Due to Other Funds	\$ -	\$ 983	\$ -	\$ 405	\$ 1,388
Accounts Payable	133	-	-	-	133
Other Liabilities	1,774	-	-	-	1,774
TOTAL LIABILITIES	1,907	983	-	405	3,295
FUND BALANCES:					
Unreserved:					
Undesignated	333,008	-	-	-	333,008
Designated	-	570,798	18,976	52,780	642,554
TOTAL FUND BALANCES	333,008	570,798	18,976	52,780	975,562
TOTAL LIABILITIES AND FUND BALANCES	\$ 334,915	\$ 571,781	\$ 18,976	\$ 53,185	
Reconciliation to amounts reported for governmental activities in the statement of net assets:					
Capital assets used by governmental activities, net of accumulated depreciation					502,397
Net assets of governmental activities					\$ 1,477,959

Drummond Island Township

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended March 31, 2007**

	General	Road Improvement	Airport Improvement	Non-major Governmental	Totals Governmental Funds
REVENUES:					
Taxes	\$ 242,262	\$ 159,619	\$ -	\$ 21,800	\$ 423,681
Federal Sources	7,279	-	-	-	7,279
State Sources	87,999	-	37,050	-	125,049
Local Sources	21,923	-	-	5,000	26,923
Charges for Services	163,779	-	11,039	250	175,068
Interest on Deposits	7,475	11,096	302	302	19,175
Other Revenue	26,611	3,382	-	15,366	45,359
TOTAL REVENUES	557,328	174,097	48,391	42,718	822,534
EXPENDITURES:					
Legislative	3,904	-	-	-	3,904
General Government	150,021	-	-	-	150,021
Public Safety	28,894	-	-	13,436	42,330
Health & Welfare	48,762	-	-	-	48,762
Public Works	33,723	87,743	12	-	121,478
Recreation & Culture	133,093	-	-	-	133,093
Capital Outlay	1,151	-	39,000	10,779	50,930
Debt Service	-	-	-	6,747	6,747
Other Expenditures	48,732	-	-	-	48,732
TOTAL EXPENDITURES	448,280	87,743	39,012	30,962	605,997
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	109,048	86,354	9,379	11,756	216,537
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	20,532	-	-	8,000	28,532
Operating Transfers Out	(8,000)	-	-	(20,532)	(28,532)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	121,580	86,354	9,379	(776)	216,537
FUND BALANCES, APRIL 1	211,428	484,444	9,597	53,556	759,025
FUND BALANCES, MARCH 31	\$ 333,008	\$ 570,798	\$ 18,976	\$ 52,780	\$ 975,562

Drummond Island Township

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2007

Net Changes in fund balances - total governmental funds	\$ 216,537
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which capital outlay (\$56,880) exceeded depreciation (\$40,563) in the current period.

16,317

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:

Capital lease

6,456

Changes in net assets of governmental activities
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\$ 239,310

Drummond Island Township

Statement of Fiduciary Net Assets Fiduciary Funds March 31, 2007

	<u>Current Tax Collection Fund</u>
ASSETS:	
Cash & Equivalents	<u>\$ 761,131</u>
 TOTAL ASSETS	 <u><u>\$ 761,131</u></u>
LIABILITIES:	
Due to Others	<u>\$ 761,131</u>
 TOTAL LIABILITIES	 <u><u>\$ 761,131</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Drummond Island Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity

Drummond Island Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Drummond Island Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Drummond Island Township. The Township does not have component units.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Drummond Island Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Drummond Island Township as of the preceding December 31st.

The 2006 taxable valuation of the Drummond Island Township totaled \$91,425,018 on which ad valorem taxes levied consisted of 2.5127 mills for the Township operating, 1.7500 mills for Roads, 0.2393 mills for Library, raising \$229,724 for operating, \$159,994 for Roads, and \$21,878 for Library. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Millage Fund

This fund accounts for activities that create and maintain roads within Drummond Island Township.

Airport Improvement Fund

This fund accounts for improvements to the Airport.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Payments made to vendors for services that will benefit periods beyond March 31, 2007, are recorded as prepaid items.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	10 – 39 years
Equipment and Furniture	3 – 20 years

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 2 of 1968, as amended (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents – Unrestricted	<u>\$ 574,000</u>	<u>\$ 761,131</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The breakdown of deposits is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts)	\$ 374,000	\$ 761,131
Certificates of Deposits	<u>200,000</u>	<u>-</u>
Total	<u>\$ 574,000</u>	<u>\$ 761,131</u>

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township does not have an investment policy, which would have specific limits in excess of state law as a means of managing its exposure to fair value losses.

Credit risk. The Township has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$1,138,792 of the Township's bank balance of \$1,338,792 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Drummond Island Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and fiduciary funds. Interfund transactions resulting in Interfund Receivables and Payable are as follows:

		DUE TO OTHER FUNDS		
		General Fund	All Others	Totals
DUE FROM OTHER FUNDS	Road Improvements	\$ 546	\$ 437	\$ 983
	All Others	-	405	405
	Total	<u>\$ 546</u>	<u>\$ 842</u>	<u>\$ 1,388</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)
Interfund Transfers:

TRANSFERS IN	TRANSFERS OUT		
	General Fund	All Others	Totals
General Fund	\$ -	\$ 20,532	\$ 20,532
All Others	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Total	<u>\$ 8,000</u>	<u>\$ 20,532</u>	<u>\$ 28,532</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 5 - CAPITAL ASSETS

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 87,521	\$ -	\$ -	\$ 87,521
<i>Capital assets being depreciated:</i>				
Land improvements	32,000	39,000	-	71,000
Buildings and building improvements	515,815	-	-	515,815
Machinery and equipment	<u>290,881</u>	<u>17,880</u>	<u>-</u>	<u>308,761</u>
Subtotal	<u>838,696</u>	<u>56,880</u>	<u>-</u>	<u>895,576</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(2,133)	(3,596)	-	(5,729)
Buildings and building improvements	(336,239)	(14,961)	-	(351,200)
Machinery and equipment	<u>(101,765)</u>	<u>(22,006)</u>	<u>-</u>	<u>(123,771)</u>
Subtotal	<u>(440,137)</u>	<u>(40,563)</u>	<u>-</u>	<u>(480,700)</u>
Net Capital Assets Being Depreciated	<u>398,559</u>	<u>16,317</u>	<u>-</u>	<u>414,876</u>
Governmental Activities Capital Assets Net of Depreciation	<u>\$ 486,080</u>	<u>\$ 16,317</u>	<u>\$ -</u>	<u>\$ 502,397</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 12,808
Public Works	7,663
Health and Welfare	1,340
Recreation & Culture	13,472
Unallocated	<u>5,280</u>
Total Governmental Activities	<u>\$ 40,563</u>

NOTE 6 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The Township continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

NOTE 7 - CONTINGENT LIABILITIES

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at March 31, 2007.

NOTE 8 - BUDGET VIOLATIONS

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts were as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Other Expenditures	\$ 40,823	\$ 48,732	\$ (7,909)
Road Improvement Fund:			
Public Works	-	87,743	(87,743)
Fire Savings Fund:			
Public Safety	-	13,436	(13,436)
Ambulance Fund:			
Capital Outlay	-	9,285	(9,285)

NOTE 9 - SUBSEQUENT EVENTS

The Township contracted with the Michigan Department of Transportation for a State/Local airport project in May 2007. The agreement provided \$760,000 in State funding with a \$40,000 Local match for rehabilitation of runway 8/26, connector taxiway, and apron.

In April 2007, the Township entered into a 3 year lease agreement for a John Deer Gator Utility vehicle for a total of \$6,246.

NOTE 10 - FUND EQUITY DESIGNATIONS

Fund equity designations can be described as follows:

Special Revenue	\$ 620,527	Designated for Fund Purposes
Capital Projects	\$ 22,027	Designated for Capital Projects

NOTE 11 - PRIOR PERIOD ADJUSTMENT

The Township capitalized capital assets in accordance with GASB Statement No. 34 during 2007. The amount invested in capital assets has been restated to conform with U.S. Generally Accepted Accounting Principals in Governmental Activities as follows: Increase in net assets \$486,080. Beginning net assets were restated to \$1,238,649. The effect on prior years net income is \$440,137.

Required Supplementary Information

Drummond Island Township

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 164,600	\$ 164,600	\$ 242,262	\$ 77,662
Federal Sources	6,500	6,500	7,279	779
State Sources	87,200	87,200	87,999	799
Local Sources	-	-	21,923	21,923
Charges for Services	100,500	100,500	163,779	63,279
Interest on Deposits	16,975	16,975	7,475	(9,500)
Other Revenue	35,900	35,900	26,611	(9,289)
TOTAL REVENUES	411,675	411,675	557,328	145,653
EXPENDITURES:				
Legislative:				
Township Board	3,900	3,905	3,904	1
General Government:				
Supervisor	13,675	12,901	12,834	67
Elections	5,000	2,716	2,620	96
Clerk	18,300	18,725	18,800	(75)
Assessor	26,500	26,500	26,621	(121)
Treasurer	24,000	24,085	24,085	-
Office	6,500	6,691	6,691	-
Township Hall	48,000	39,496	38,414	1,082
Board of Review	1,900	1,900	1,735	165
Cemetery	5,300	5,650	5,650	-
General Maintenance & Repairs	10,165	13,463	12,571	892
Total General Government	159,340	152,127	150,021	2,106
Public Safety:				
Police	7,200	7,200	7,072	128
Fire Protection	21,500	21,921	21,822	99
Zoning	100	100	-	100
Total Public Safety	28,800	29,221	28,894	327
Health & Welfare:				
Health Boards & Clinics	19,500	19,500	1,102	18,398
Ambulance	47,000	50,476	47,660	2,816
Total Health & Welfare	66,500	69,976	48,762	21,214

Drummond Island Township

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Airport	16,400	15,440	15,437	3
Street Lighting	4,000	4,009	4,009	-
Waste Collection & Other	4,500	14,277	14,277	-
Total Public Works	24,900	33,726	33,723	3
Recreation & Culture:				
Various Cultural Activities	7,000	8,360	8,360	-
Recreation/parks	14,400	14,000	14,119	(119)
Golf Course	79,600	79,600	80,731	(1,131)
Museum	7,500	8,775	8,775	-
Library	20,100	21,108	21,108	-
Total Recreation & Culture	128,600	131,843	133,093	(1,250)
Capital Outlay	1,200	1,200	1,151	49
Other:				
Miscellaneous	4,200	4,269	2,711	1,558
Insurance	35,835	36,554	46,021	(9,467)
Total Other	40,035	40,823	48,732	(7,909)
TOTAL EXPENDITURES	453,275	462,821	448,280	14,541
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(41,600)	(51,146)	109,048	160,194
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	20,532	20,532
Operating Transfers Out	-	-	(8,000)	(8,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (41,600)</u>	<u>\$ (51,146)</u>	121,580	<u>\$ 172,726</u>
FUND BALANCE, APRIL 1			211,428	
FUND BALANCE, MARCH 31			<u>\$ 333,008</u>	

Drummond Island Township

Required Supplementary Information Budgetary Comparison Schedule Road Improvement Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 159,619	\$ 159,619
Interest and Rentals	-	-	11,096	11,096
Other Revenue	-	-	3,382	3,382
TOTAL REVENUES	-	-	174,097	174,097
EXPENDITURES:				
Public Works	-	-	87,743	(87,743)
TOTAL EXPENDITURES	-	-	87,743	(87,743)
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	86,354	\$ (86,354)
FUND BALANCE, APRIL 1			484,444	
FUND BALANCE, MARCH 31			\$ 570,798	

Other Supplementary Information

Drummond Island Township

Combining Balance Sheet Nonmajor Governmental Funds March 31, 2007

	Special Revenue Funds			Capital Project Fund	
	Fire Savings Fund	Ambulance Fund	Library	Golf Course Fund	Totals
ASSETS:					
Cash & Equivalents	\$ 18,243	\$ 5,164	\$ 4,207	\$ 3,051	\$ 30,665
Taxes Receivable	-	-	21,678	-	21,678
Due from Other Funds	91	-	751	-	842
TOTAL ASSETS	<u>\$ 18,334</u>	<u>\$ 5,164</u>	<u>\$ 26,636</u>	<u>\$ 3,051</u>	<u>\$ 53,185</u>
LIABILITIES:					
Due to Other Funds	\$ -	\$ 405	\$ -	\$ -	\$ 405
TOTAL LIABILITIES	<u>-</u>	<u>405</u>	<u>-</u>	<u>-</u>	<u>405</u>
FUND BALANCES:					
Unreserved - Designated	<u>18,334</u>	<u>4,759</u>	<u>26,636</u>	<u>3,051</u>	<u>52,780</u>
TOTAL FUND BALANCES	<u>18,334</u>	<u>4,759</u>	<u>26,636</u>	<u>3,051</u>	<u>52,780</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,334</u>	<u>\$ 5,164</u>	<u>\$ 26,636</u>	<u>\$ 3,051</u>	<u>\$ 53,185</u>

Drummond Island Township

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended March 31, 2007

	Special Revenue Funds			Capital Project Fund	
	Fire Savings Fund	Ambulance Fund	Library	Golf Course Fund	Totals
REVENUES:					
Taxes	\$ -	\$ -	\$ 21,800	\$ -	\$ 21,800
Charges for Services	250	-	-	-	250
Local Sources	5,000	-	-	-	5,000
Interest and Rentals	252	-	-	50	302
Other Revenue	13,961	425	-	980	15,366
TOTAL REVENUES	19,463	425	21,800	1,030	42,718
EXPENDITURES:					
Public Safety	13,436	-	-	-	13,436
Debt Service	-	-	-	6,747	6,747
Capital Outlay	-	9,285	-	1,494	10,779
TOTAL EXPENDITURES	13,436	9,285	-	8,241	30,962
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,027	(8,860)	21,800	(7,211)	11,756
OTHER FINANCING SOURCES (USES):					
Operating Transfer In	-	-	-	8,000	8,000
Operating Transfer Out	-	-	(20,532)	-	(20,532)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	6,027	(8,860)	1,268	789	(776)
FUND BALANCES, APRIL 1	12,307	13,619	25,368	2,262	53,556
FUND BALANCES, MARCH 31	\$ 18,334	\$ 4,759	\$ 26,636	\$ 3,051	\$ 52,780